Weekly Economic Review

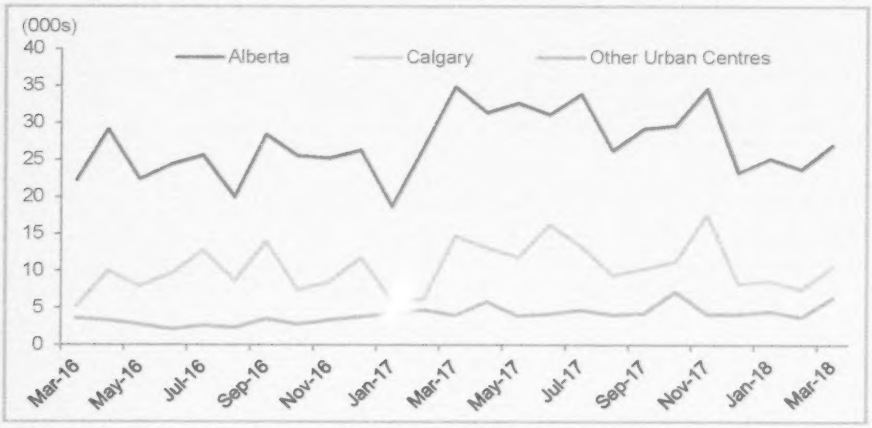
Alberta's housing starts improve

Housing Starts

Housing starts spring higher

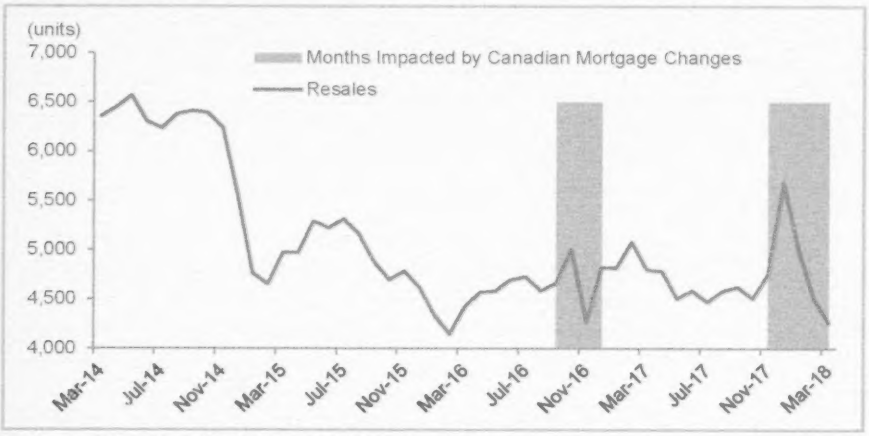
Housing starts in the province improved in March, following a pullback in the previous three months. Starts jumped 14% month-over-month (m/m) to a seasonally adjusted annual rate (SAAR) of 26,972 units. The monthly gain was led by a rebound in Calgary and a spike in activity in other urban centres (excluding Edmonton), where activity reached the second highest level in three years (Chart 1). Meanwhile, starts declined in Edmonton and in rural regions. Despite the strong monthly gain, housing starts were down 5.4% in the first three months of 2018 compared to the same period last year. However, this was largely as a result of a surge in multi-unit starts a year ago.

Chart 1: Rebound in Calgary starts and spike in other urban centres
Alberta Housing Starts (SAAR)



Source: Canadian Mortgage and Housing Corporation

Chart 2: Activity slows following a surge prior to mortgage rule changes
Seasonally Adjusted Home Sales in Alberta



Source: The Canadian Real Estate Association

New Housing Price Index

New home prices remain steady

Home buyers in the province continue to see stable prices for new homes. Alberta's new housing price index (NHPI) slipped a modest 0.3% m/m in February as house-only prices declined while land prices were unchanged. Edmonton led the decline with prices that equalled a four-year low. New home prices in Calgary were also weaker but remain above the recent low. The NHPI was relatively unchanged (-0.2% year-over-year or y/y) compared to the same time last year.

Resale Housing

Resale activity slows

Activity in Alberta's resale housing market continued to cool in March. Home sales declined 5.5% m/m to 4,262 sales, a two-year low. Sales have now declined for three consecutive months following a surge in December as buyers rushed to purchase homes in anticipation of higher interest rates and new mortgage rules taking effect in January (Chart 2). A similar pattern was observed in other Canadian housing markets. The number of new listings rose to a nine-month high, led by Edmonton where new listings reached the highest level since May 2008. With more listings and fewer buyers, the average resale price in Alberta eased 2.1% m/m to $387,961.

Building Permits

Residential lifts building permits

Construction intentions in the province improved following a two-month slide. The value of Alberta building permits increased 15% m/m to $1.3 billion in February. Residential permits rose to hit a 16-month high, driven by higher multi-family building intentions and continued strength in single-family intentions which have risen four months in a row. Non-residential permits have improved modestly alongside a pickup in institutional permits, while industrial and commercial permits remain relatively low. Compared to twelve months ago, building permits were up 13%, solely due to higher residential permits (Chart 3).

Business Formations

Incorporations remain elevated

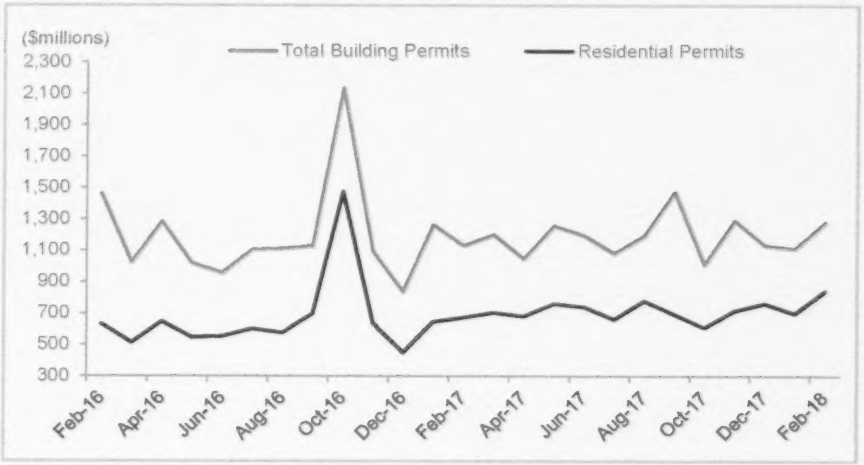
Business incorporations in the province have had a healthy start in 2018. An average of 3,744 businesses formed in Alberta over the three-month period ending in March, close to a 38-month high in February (Chart 4). The number of formations have now risen year-over-year for three consecutive months. This has boosted the number of new businesses formed in the first quarter by 1.8% over the same period in 2017.

Business Outlook Survey

Business sentiment remains strong

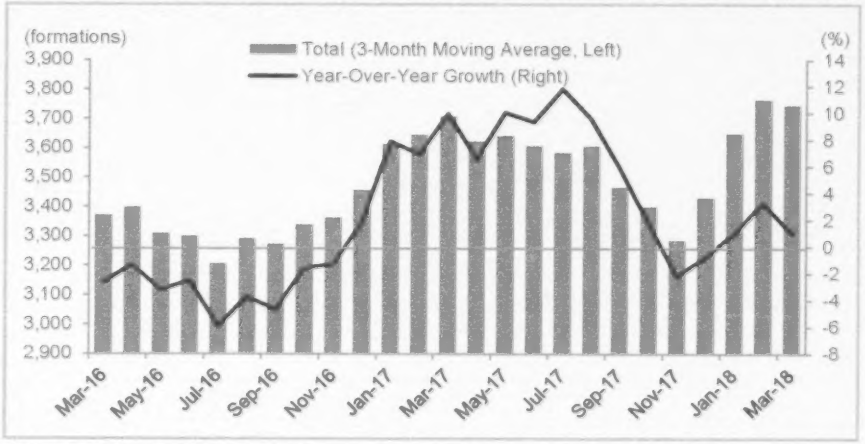
Canadian business sentiment continue to be positive, according to the results from the Bank of Canada's Business Outlook Survey (BOS). The BOS indicator ticked down 0.5% in the first quarter of 2018 from the previous quarter but remained near a one-year high, indicating positive business sentiment. Most companies' willingness to invest and hire workers remains solid, supported by rising sales. Meanwhile, capacity pressures moderated from recent highs, although slack remains in the energy producing provinces. Regionally, firms in the Prairies had lower expectations for sales growth, whereas other parts of the country are anticipating higher sales growth.

Chart 3: Solid gains in residential permits raise construction intentions
Seasonally Adjusted Value of Alberta Building Permits



Source: Statistics Canada

Chart 4: Incorporations continue at a solid pace
Alberta Business Formations and Year-Over-Year Growth (Seasonally Adjusted)



Source: Corporate Registry System, Alberta Treasury Board and Finance

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.